



**Audit and Standards Advisory  
Committee**  
17 October 2018

**Report from  
the Chief Finance Officer**

**Internal Audit Progress Report for the period April – August  
2018**

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| <b>Wards Affected:</b>   | All  |
| <b>Key or Non-Key Decision:</b>  | Non-key  |
| <b>Open or Part/Fully Exempt:</b><br>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act) | Open   |
| <b>No. of Appendices:</b>  | Two: <ul style="list-style-type: none"><li>• Completed Audits from the 2018/19 Audit Plan</li><li>• Follow Up Reviews</li></ul>                                    |
| <b>Background Papers:</b>  | None.  |
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## 1.0 Purpose of the Report

1.1 This report provides an update on progress against the Internal Audit Plan for the period 1 April 2018 to 31 August 2018.

## 2.0 Recommendation

2.1 The Audit Committee note the content of the report.

## 3.0 Internal Audit Performance

3.1 During this period Internal Audit have:

- completed nine audit reviews and advisory pieces of work;
- Completed 19 follow up reviews;
- Commenced a new program of school audits with 14 schools included in this year's plan; and
- Completed grant claim certifications for the Troubled Families Programme.

3.2 The team has also been able to react to urgent management requests when required. Further details are set out below.

3.3 The recruitment of new staff has brought increased stability and performance. The final auditor recruitment is expected to be completed by the end of quarter three. The team continues to be supplemented by a contracted resource from PricewaterhouseCoopers (PwC).

## Audit Work Undertaken

- 3.4 The Internal Audit Plan for 2018/19 initially comprised 63 audits excluding school reviews, follow ups and advisory work.
- 3.5 Nine audits have been completed and a further nine are nearing completion. Resources have been allocated to allow full completion of the plan. For each audit where controls have been analysed and a report agreed with management, an assurance opinion is given. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below.
- 3.6 Six of the completed audits were given a 'Reasonable' assurance opinion. The remaining three were advisory work which did not require an audit opinion. Details of the audits and the key findings are set out in Appendix 1.

|                    |  |
|--------------------|--|
| <b>Substantial</b> | There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.  |
| <b>Reasonable</b>  | While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk. |
| <b>Limited</b>     | Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.  |
| <b>No</b>          | Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.  |

- 3.7 The following table shows the nine audits currently in progress, a number of which the draft report has been issued to management for review.

| <b>Audit</b>                          | <b>Status</b>         |
|---------------------------------------|-----------------------|
| Income Management                     | Draft Report Issued   |
| Licensing                             | Draft Report Issued   |
| Budget Monitoring                     | Draft Report Issued   |
| Digital Strategy                      | Draft Report Issued   |
| Unaccompanied Asylum Seeking Children | Report being drafted  |
| IT Device provision                   | Fieldwork in progress |
| Data Security                         | Fieldwork in progress |

|                            |                       |
|----------------------------|-----------------------|
| Trading Standards          | Fieldwork in progress |
| I4B Financial Model Review | Fieldwork in progress |

### Follow up Reviews

- 3.8 As part of the audit process, follow-up reviews are carried out to ensure that agreed management actions in respect of significant risks have been implemented.
- 3.8 During the period, 19 follow up reviews have been completed. A further 12 are currently in progress. Details of the completed follow up reviews are set out in Appendix 2.
- 3.9 Of the 19 completed, five have had their assurance level raised following completion of the agreed recommendations. This included three (of four) reviews which initially received 'limited' assurance ratings which have now moved to 'reasonable' as a result of management action to implement recommendations. The area which remained at 'limited' was the Schools Expansion Programme audit where a number of recommendations relating to project management were partially implemented.
- 3.10 A total of 155 management actions have been reviewed:

| Implemented | Partly Implemented | Not Implemented | No Longer Relevant |
|-------------|--------------------|-----------------|--------------------|
| 115         | 20                 | 4               | 16                 |

- 3.11 Where actions remain partially or not implemented, revised completion dates have been agreed with management when Audit will revisit to confirm implementation where appropriate.

### Schools

- 3.12 The new program of school audits is underway with the first review completed. This review produced a 'no assurance' outcome. There were six high risk findings and one medium risk finding. The high risk findings related to Governance, Financial Management, Purchasing and Expenditure, Asset Management, HR and Payroll, and Income.
- 3.13 School audits focus on governance, financial processes and the accompanying back office resources. A follow up review will be carried out in due course.
- 3.14 The remaining school reviews are scheduled to take place over the next seven months. Internal Audit are also attending Teachers' Panel and School Information Exchange meetings to discuss the audit process, key risk areas and any other concerns raised by schools. A summary memo will be issued at year end setting out any common issues identified from the school audits including any lessons to be learnt or best practice to be circulated.

## **Customer Satisfaction**

- 3.15 Management are asked to provide feedback on individual audits completed and the feedback is incorporated into the continuous improvement of the service. Questionnaires issued at the end of each audit ask the auditees to provide feedback on areas including usefulness of the audit, quality of the report and usefulness of any recommendations made.
- 3.16 A total of two questionnaires have returned. Both responses were positive with either a satisfied or very satisfied opinion. However, this is a very low return rate and unless more questionnaires are returned in future only limited reliance can be placed on the result. Audit will continue to encourage clients to feedback on their experience of the service.

## **Quality Assurance and Improvement Programme**

- 3.17 The Public Sector Internal Audit Standards state that an external assessment must be conducted at least once every five years by a qualified, independent assessor. This is due during 2018/19. The newly appointed Internal Audit Manager will undertake this review in September/October 2018. (There is a pan-London peer review mechanism administered by Croydon Council which was unable to provide an independently selected reviewer. The option of using the Internal Audit Manager, (new recruit and a qualified, experienced audit manager) was accepted by the Audit and Advisory Committee as a suitable alternative.

## **4.0 Financial Implications**

- 4.1 The report is for noting and so there are no direct financial implications

## **5.0 Legal Implications**

- 5.1 The report is for noting and so there are no direct legal implications

## **6.0 Equality Implications**

- 6.1 None.

## **7.0 Consultation with Ward Members and Stakeholders**

- 7.1 None.

**Report sign off:**

**CONRAD HALL**  
Chief Finance Officer